

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 27, 2005

Draft Resolution W-4583
Agenda ID #5219

TO: Parties to Great Oaks Water Company's Advice Letter 173

Enclosed is a draft Resolution of the Water Division. This draft Resolution will be on the agenda of the Commission's January 26, 2006 meeting. The Commission may then vote on the Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:

Sazedur Rahman
Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-4426

A copy of the comments should be submitted to:

Fred L. Curry
Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Any comments on the draft Resolution must be received by the Water Division by January 17, 2006. Those submitting comments must serve a copy of their comments on 1) the service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Water Division, on the same date that the comments are submitted to the Water Division.

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Great Oaks AL 173
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Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs. Replies to Comments are due on January 23, 2006.

Comments shall focus on factual, legal or technical errors in the draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Late submitted comments will not be considered.

FRED L. CURRY, Chief
Water Advisory Branch
Water Division

Enclosures: Draft Resolution W-4583
Certificate of Service
Service List

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of draft Resolution W-4583 on all parties in these filings or their attorneys as shown on the attached list.

Dated December 27, 2005 at San Francisco, California.

Josefina R. Babaran

NOTICE

Parties should notify the Water Division, Public Utilities Commission, 505 Van Ness Avenue, Room 3106 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number of the service list on which your name appears.

Service List
Draft Resolution W-4583
Great Oaks Advice Letter 173

Alan Gardner
Great Oaks Water Company
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SAN JOSE CA 95153-3490

Attorney General State of California
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Att: Public Inquiry Unit
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City Attorney, City of San Jose
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151 West Mission Street
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County Clerk, County of Santa Clara
East Wing, First Floor
70 West Hedding Street
SAN JOSE CA 95110

County Counsel
County of Santa Clara
East Wing, Ninth Floor
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SAN JOSE CA 95110-1768

Santa Clara Valley Water District
5750 Almaden Expressway
SAN JOSE CA 95118-3614

San Jose Water Company
Attention: Palle Jensen
374 West Santa Clara Street
SAN JOSE CA 95196

California Water Service Company
Attention: Stan Ferraro
1720 North First Street
SAN JOSE CA 95112

Office of Ratepayers Advocates
Attention: Dan Sanchez
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505 Van Ness Avenue
SAN FRANCISCO CA 94102

Debra Cauble
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SAN FRANCISCO CA 94105

WATER/KPC/FLC/SNR:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4583

January 26, 2006

R E S O L U T I O N

**(RES. W-4583), GREAT OAKS WATER COMPANY.
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING AN ADDITIONAL ANNUAL REVENUE OF
\$570,256 OR 5.17% FOR TEST YEAR 2006-2007.**

SUMMARY

Great Oaks Water Company (Great Oaks) is authorized \$570,256 or 5.17% general revenue increase for a total company operations for test year 2006-2007, and for escalation years 2007-2008, and 2008-2009 appropriate inflationary increases to be determined in 2007 and 2008 pursuant to Commission's Rate Case Plan Decision (D.04-06-018). Great Oaks is also authorized to institute a low income customer program.

Great Oaks is denied authorization for its proposed base revenue memorandum account at this time, but is allowed to file an advice letter to implement the same revenue memorandum account as the Commission may grant either in California Water Service Company's pending general rate increase (GRC) application (A.05-08-006), or in a future generic proceeding, whichever comes first.

Great Oaks' proposed Conservation Gold Seal Program is denied. Great Oaks is encouraged to work in cooperation with the California Urban Water Conservation Council to develop a more effective conservation incentive program for customers.

BACKGROUND

In Resolution W-4556, August 25, 2005 the Commission granted Great Oaks' request to file this GRC by advice letter rather than by formal application. The Commission did so as an experiment to determine whether and when the advice letter process may be a suitable alternative to the formal application process.

The Office of Ratepayer Advocates (ORA) filed a timely application for rehearing of the resolution. The Commission denied rehearing in D.05-12-048.

Great Oaks filed Advice Letter No. 173 on June 24, 2005, and the supplement, Advice Letter No. 173-A on November 1, 2005. Great Oaks originally sought to increase the revenues by \$930,255 or 8.9% for test year 2006-2007, and \$82,892 or 0.7% for each of escalation years 2007-2008 and 2008-2009. The supplemental advice letter sought to revise revenue increases to \$881,718 or 8.27% for 2006-2007, \$171,795 or 1.49% for each of 2007-2008 and 2008-2009. The change in revenue increases resulted from revised higher water sales forecasts, increased disinfection requirements and anticipated fuel cost much higher than expected.

Other than the general rate increase, Great Oaks also requested the following:

- (1) A Base Revenue Memorandum Account to track revenue earnings due to sales fluctuations.
- (2) A low income customer program and a related memorandum account.
- (3) A Conservation Gold Seal Program and associated memorandum account.
- (4) A tariff schedule for California Military Financial Relief Act of 2005.

NOTICE, PUBLIC MEETING, AND CUSTOMER PROTEST

A notice of the proposed rate increase was published by Great Oaks on September 7, 2005 in the San Jose Mercury, a daily newspaper of general circulation. The notice was also sent to all customers by bill inserts. A public meeting was held on October 17, 2005 at 6 p.m. at the Holiday Inn, in Santa Clara, CA. The notice of the public meeting was published in the San Jose Mercury on October 4, 2005. No customer protested the rate increase; no customer attended the public meeting.

Office of Ratepayer Advocates (ORA) Protest and Water Division (WD) Response

ORA protested Great Oaks' AL 173 and its supplemental AL 173-A. The major issues ORA brought up are as follows:

1. AL 173 - ORA points out that Great Oaks has requested more revenues in AL 173 than it had in its May 2005 Proposed Application, which was converted to the above advice letter. ORA is concerned that Great Oaks was taking advantage of the less formal process by jacking up the requested revenue increase. WD investigated the reasons for the increased request and found that the revision to the revenue request was made to reflect latest tariff rates, correct income tax, revision to plant additions and present payroll expense. WD considers the reasons to be acceptable.
2. AL 173-A - ORA objects to Great Oaks proposals for (a) a Base Revenue Memorandum Account (BRMA), (b) Low income Customer Assistance Program (LICAP), and (c) a Conservation Gold Seal Memo Account, and (d) additional expense updates. WD does not object to the consideration of BRMA, but believes that such proposal, which has not been authorized to any water utilities by this Commission, should be reviewed and decided in a formal proceeding. Further, California Water Service Company (CWS) in its general rate case application (A.05-08-006), which is pending before the Commission, has requested the establishment of a similar revenue/sales adjustment. Hence, WD recommends that if the Commission authorizes such a memorandum account either in the CWS A.05-08-006 or in a generic proceeding, Great Oaks be allowed to file an advice letter requesting establishment of such a memorandum account for its water service. WD fully agrees with ORA on item (c) as discussed earlier in this resolution. Regarding Item (b), LICAP, WD considers Great Oaks proposal to be in conformance with the Commission policy and should be allowed. Concerning the additional expense update, WD was able to review the justifications thoroughly and considered a portion of the increased expenses to be reasonable.

DISCUSSION

Water Division staff (WD) has reviewed Great Oaks advice letter requests, made its own analyses and conducted field investigations. WD considers Great Oaks' requests to be generally reasonable. However, it takes issues in the following items:

Expenses

Management Salaries: Great Oaks' management salary estimate for calendar year 2006 is \$907,272; whereas, that of WD is \$779,294. The difference is \$127,872 is attributable to the WD's adjustment, for rate-making purpose, of the salary of the newly hired full-time attorney. Great Oaks added a full-time attorney to its staff in mid-2005 and projected that his pay for 2006 will be \$160,000. Previously, Great Oaks had utilized an outside counsel for doing the work this newly hired attorney would do - CPUC filings and other legal matters - at a cost of \$32,022 for 2006. Now, when calendar year estimates are converted to test year 2006-2007 estimates, Great Oak's projected amount is \$914,530 and that of WD is \$785,328 -a difference of \$129,202.

Outside Services Employed: Great Oaks' estimated expense for outside services for calendar year 2006 is \$267,165; whereas, that of WD is \$165,267. The difference of \$122,431 is attributable to: (1) WD's disallowance of \$17,466 forecasted expenses related to its litigation with the City of San Jose, which are to be recorded in Great Oaks' litigation memorandum account upon incurrence of the cost per D.03-12-039. In that decision the Commission, instead of allowing Great Oaks to reflect forecasted litigation expenses in the rates, required Great Oaks to track the incurred legal fees in a memorandum account for Commission review and any future recovery, (2) \$32,022 for CPUC filing and other legal, which the newly hired attorney will do, plus the regulatory cost of a GRC filing by advice letter is lower than that by application, (3) \$20,513 for public relations expense because of availability of in-house expertise, and (4) \$52,428 for imputed debt expense, which does not exist due to Great Oaks being one hundred percent equity financed. When the calendar year estimates are converted to test year 2006-2007, and an additional \$20,433 is added for additional water testing requirements, Great Oaks' projected amount is \$293,862 and that of WD is \$166,532, a difference of \$127,330.

Plant Additions

WD considers Great Oaks' proposed plant additions to be generally reasonable. However, it takes exception in the number of cars to be replaced and Great Oaks' ability to install new wells within Great Oaks's proposed time frame.

Regarding replacement of cars, WD has deleted one car from replacement because the car has only 70,000 miles on it with no mechanical problem and is expected to last at least another 30,000 miles. Concerning wells, Great Oaks has proposed to add one well in 2006 and another in 2007 but has not found sites for those wells yet. WD agrees on the need for those wells and the associated plant investment but doubts they could be installed in the time frame proposed. Hence, WD recommends that Great Oaks be allowed to file an advice letter once a year to include the wells and the associated plant investment in rate base upon completion and placement in service. The cost of the plant additions are not to exceed the estimated cost of \$1,091,000 for 2006 and \$995,000 for 2007. WD evaluated these costs and found them to be reasonable.

Pension Reserve Fund

WD has removed Great Oaks's inclusion of payments of \$150,000 in 2006 and \$185,000 in 2007 toward pension reserve fund as rate base additions since these amounts have already been included as operational expenses.

Affiliate Transactions

In Resolution W-4556, dated August 25, 2005 the Commission reminded Great Oaks to comply with the requirements regarding Transactions with Corporate Affiliates and Unregulated Transactions contained on page 9 of the Appendix of D.04-06-018. Great Oaks Water Company has an affiliate known as Great Oaks Wireless Company (Wireless). It was founded and incorporated in February 2005. It contracted with Pacific Coast Wireless Internet, Inc. to provide retail wireless internet service to residential customers through antennas owned by Great Oaks in conjunction with its SCADA system. Great Oaks Wireless has five customers. Its capital investment is \$77,205. It did not hire any new employees. Water Company employees do the work within their eight-hour days. No formal bookkeeping has yet been established. At WD's request Great Oaks provided the estimate of staff compensation for the Wireless operation. The amount of expense is \$26,418 and the amount of revenue collected is \$2570.

Since this is a passive business, WD has allocated 30 percent of the revenue to the ratepayer pursuant to Commission decisions (D.00-07-018, D.03-04-028 and D.04-12-023).

Base Revenue Memorandum Account

Great Oaks has proposed to establish a Base Revenue Memorandum Account to stabilize revenue over periods of increased or decreased water sales as a result of weather variation and due to conservation by customers. WD does not object to the consideration of such proposal, but believes such proposal, which has not been authorized to any water utilities by this Commission, should be reviewed and decided in a formal proceeding. Further, California Water Service Company (CWS) in its general rate case application (A.05-08-006), which is pending before the Commission, has requested the establishment of a similar revenue/sales adjustment memorandum account. Hence, WD recommends that if the Commission authorizes such a memorandum account either in the CWS A.05-08-006 or in a generic proceeding, Great Oaks be allowed to file an advice letter requesting establishment of such a memorandum account for its water service.

Low Income Customer Service Program

Great Oaks has proposed to give a 50% reduction in the bimonthly service charge to low income customers and establish a memorandum account to track expenses and the rebate provided under this program. Great Oaks's proposal is in conformance with the last Commission decision addressing this issue (D.05-05-015, dated May 5, 2005, San Gabriel Valley Water Company).

Conservation

Great Oaks is required to submit every five years a Water Management Plan to the State Department of Water Resources (DWR). The plan covers water supply sources and quantities; reliability of sources; past, present, and future water use; supply and demand comparisons; water demand and management measures; water shortage contingency plan; water recycling, etc. Great Oaks has submitted a copy of its 2005 Water Management Plan with its advice letter. WD considers Great Oaks' conservation measures as outlined in the plan to be satisfactory.

Great Oaks has also proposed to establish a Conservation Gold Seal Program in which a customer is required to install low flush toilets, shower restrictors, faucet

restrictors, water saving washing machine, water saver dishwasher, water saver water softeners and timers on all outdoor landscaping. In addition, the customer will need to have certified plumbers' verification report at customer's cost, that the above required items have been installed and are operational. Only after such verification report is sent to Great Oaks, a customer will be given a fifty percent reduction in the bimonthly service charge. At adopted tariff rates, the reduction in the service charge for two months would be \$7.22 for a 5/8 x 3/4 -inch metered customer. WD does not believe that Great Oaks' offered incentive for conservation will be attractive to any customers since the expenses to be incurred in order to qualify will exceed the amount of rate relief. Just to hire a plumber for the verification would cost over \$100. Hence, WD recommends that Great Oaks work in cooperation with California Urban Water Conservation Council pursuant to the Water Action Plan adopted by the Commission on December 15, 2005 and develop an effective conservation incentive program which will be attractive to the customers.

California Military Families Financial Relief Act of 2005

Great Oaks has proposed to incorporate the California Military Families Financial Relief Act of 2005 (Act) in its tariff schedule and asked for a memorandum account to track the costs related to this Act. The Act requires utilities to provide shut-off protection for 180 days to the families of full-time active military service personnel. Under the law, a utility may, but is not required, grant an extension after the initial 180-day period.

In order to allow the shut-off protection to be effective January 1, 2006, Great Oaks filed AL No. 175 to modify its tariffs to provide this service. Normally WD rejects advice letters when the advice letter request could be analyzed in a concurrent active rate proceeding. In this case, WD considered the advice letter a reasonable attempt to meet timing constraints. AL No. 175 was approved on regular statutory notice, on December 8, 2005, effective January 1, 2006, and need not be addressed here.

Rate of Return

Great Oaks has requested a rate of return on rate base of 9.71% for 2006, 2007, and 2008. Great Oaks' actual capitalization consists of 100% equity. For rate-making purposes though, it has proposed that an imputed capital structure of 34% debt and 66% equity be used as adopted by the Commission in D.03-12-003,

in the company's last GRC. Great Oaks has proposed a debt interest rate of 9.84% which is the 20-year average yield to maturity of BAA corporate bonds plus 100 basis points as the imputed debt discount and expense amount. Great Oaks has proposed a return on equity of 8.82%.

WD has used the same imputed capital structure as Great Oaks, but recommends a higher return on equity of 9.31% for all three years and a lower debt cost of 7.21% for 2006, 7.4% for 2007, and 7.68% for 2008. WD has performed an analysis (including a discounted cash flow and risk premium analysis) of the required return on equity that supports a higher return on equity than requested by Great Oaks. Since Great Oaks has no current long term debt and is not expected to issue any long term debt over the test period, WD has recommended using the Data Resources, Inc. (DRI) forecasted BAA corporate bond rates for the test periods, which better reflects the debt rates for the period.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. WD's recommended Summary of Earnings shown in Appendix A is reasonable and should be adopted.
2. The rates recommended by WD (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop WD's recommendations are reasonable and should be adopted.

4. The low income customer assistance programs proposed by Great Oaks is reasonable and should be adopted.
5. The Conservation Gold Seal Program proposed by Great Oaks is not likely to be utilized by the ratepayers because ratepayers costs will greatly exceed any benefits.
6. Great Oaks should file an advice letter requesting a base revenue adjustment memorandum account if the Commission authorizes such or similar memorandum account to any other water utility through a formal hearing process.
7. ORA's protests are denied with the exception of the Base Revenue Memorandum Account which is granted in part.
8. Great Oaks has an affiliate company known as Great Oaks Wireless Company that provides retail internet service to residential customers.
9. Great Oaks has not established accounting records to track expenses, revenues and investments for the Great Oaks Wireless company operations.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under the Public Utilities Code Section 451 to Great Oaks Water Company to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedules No.1, General Metered Service, Schedule No. 3M, Irrigation Service, and Schedule No.4, Private Fire protection Service. The effective date of the revised rate schedules shall be July 1, 2006 or five days after the date of filing, whichever is later.
2. Great Oaks Water Company is authorized to make effective its Low Income Customer Assistance Program and establish a related memorandum account.
3. Great Oaks shall be allowed to file an advice letter to establish the base revenue memorandum account (BRAM) should the Commission grant to any other water utility a BRAM in a specific or a generic formal proceeding.
4. Great Oaks Water Company shall be allowed to file an advice letter once a year to include wells and associated plant additions upon completion and placement of those plants in service. The costs of the plant additions are not to exceed \$1,091,000 for 2006 and \$995,000 for 2007.

5. Great Oaks Water Company shall establish accounting records to enter expenses, revenue and plant investments related to the operation of the Great Oaks Wireless Company per Commission decisions: D.00-07-018, D.03-04-028, and D.04-12-023.
6. Advice letters for escalation year rate increases for 2007-2008 and 2008-2009 shall be filed in accordance with General Order 96-A, or successor general order, no later than 45 days prior to the first day of the escalation year. The filing shall include appropriate work papers. The increase shall be reduced if Great Oaks's rate of return on rate base, adjusted to reflect rates then in effect, normal ratemaking adjustments, and the adopted change to the pro forma test, for the 12 months ending March 31 of the same year, exceeds the amount authorized in the decision. The advice letters shall be reviewed by the Water Division for conformity with this resolution, the Rate Case plan decision (D.04-06-018), and shall go into effect upon Water Division's determination of compliance, not earlier than the first day of the escalation year, or 30 days after filing, whichever is later. The tariffs shall be applicable to service rendered on or after the effective date. The Water Division may allow the tariffs to go into effect but require that all amounts so collected be subject to refund. Water Division may reject or suspend the advice letter if it finds that the proposed increase does not comply with this resolution or other Commission requirements.
7. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 26, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A

GREAT OAKS WATER COMPANY
Test Year 2006-2007
Summary of Earnings
Dollars

Description	At Present Rates		At Proposed Rates		Adopted	
	GOWC	STAFF	GOWC	STAFF	At Present Rates	At Authorized Rate of Return
<u>Operating Revenues</u>						
Water Service Revenues	11,027,345	11,027,345	11,939,366	11,597,601	11,027,345	11,597,601
Other Revenues	4,825	5,596	4,825	5,596	5,596	5,596
Total Revenues	11,032,170	11,032,941	11,944,191	11,603,197	11,032,941	11,603,197
<u>Operating Expenses</u>						
Net Payroll Expense	1,551,566	1,432,349	1,551,566	1,432,349	1,432,349	1,432,349
Groundwater Charges, Acct. 700	4,995,876	5,205,876	4,995,876	5,205,876	5,205,876	5,205,876
Purchased Power, Acct 726	632,396	632,396	632,396	632,396	632,396	632,396
Maintenance of Pumping Equipment, Acct 732	36,375	36,375	36,375	36,375	36,375	36,375
Chemicals and Filtering Materials, Acct. 744	1,175	1,175	1,175	1,175	1,175	1,175
Meter Expenses, Acct. 754	263	263	263	263	263	263
T&D Maintenance Supervision and Eng, Acct. 758	16,513	16,513	16,513	16,513	16,513	16,513
Maintenance of Reservoirs and Tanks, Acct. 760	218	218	218	218	218	218
Maintenance of T&D Mains, Acct. 761	81,011	81,011	81,011	81,011	81,011	81,011
Maintenance of Services, Acct. 763	45,409	45,409	45,409	45,409	45,409	45,409
Maintenance of Meters, Acct. 764	10,320	10,320	10,320	10,320	10,320	10,320
Maintenance of Hydrants, Acct. 765	70,289	70,289	70,289	70,289	70,289	70,289
Customer Records and Collection, Acct. 773	134,569	134,569	134,569	134,569	134,569	134,569
Uncollectible Accounts, Acct. 775	23,187	23,187	24,892	24,179	23,187	24,179
Office Supplies and Other Expenses, Acct. 792	58,505	58,505	58,505	58,505	58,505	58,505
Property Insurance, Acct. 793	112,592	112,592	112,592	112,592	112,592	112,592
Injuries and Damages, Acct 794	45,971	45,971	45,971	45,971	45,971	45,971
Employee Pensions and Benefits, Acct. 795	400,827	398,380	400,827	398,380	398,380	398,380
Franchise Requirements, Acct. 796	213,295	213,295	230,936	224,325	213,295	224,325
CPUC Fees, Acct. 797	149,306	149,306	161,655	157,027	149,306	157,027
Rate Case Expenses, Acct. 797	162,500	162,500	162,500	162,500	162,500	162,500
Outside Services Employed, Acct. 798	293,862	166,532	293,862	166,532	166,532	166,532
Misc Gen Exp Other Than CWA Dues, Acct. 799	34,273	34,273	34,273	34,273	34,273	34,273
CWA Dues, Acct. 799	18,693	18,693	18,662	18,662	18,693	18,662
Maintenance of General Plant, Acct. 805	34,745	34,745	34,745	34,745	34,745	34,745
Rents, Acct. 811	98,605	98,605	98,605	98,605	98,605	98,605
Transportation Expense. Acct. 903	77,598	66,916	77,598	66,916	66,916	66,916
Total Operation and Maintenance Expense	9,299,940	9,250,263	9,331,603	9,269,976	9,250,263	9,269,976
Depreciation Expense	806,628	762,565	806,628	762,565	762,565	762,565
Taxes Other Than Income	269,643	261,501	269,643	261,501	261,501	261,501
Current State Income Tax	0	0	90,094	84,490	0	84,490
Current Federal Income Tax	0	0	353,521	324,181	0	324,181
Deferred Tax Expense	54,655	51,039	54,655	51,039	51,039	51,039
Total Operating Expense	10,430,865	10,325,368	10,906,143	10,753,752	10,325,368	10,753,752
Net Operating Revenue	601,306	707,573	1,038,048	849,444	707,573	849,444
Rate Base	11,323,994	9,701,512	11,323,994	9,701,512	9,701,512	9,701,512
Rate of Return, Percent	5.31%	7.29%	9.17%	8.76%	7.29%	8.76%

APPENDIX B
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Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area in Southeast San Jose, East of Snell Road and South of Hellyer Park.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>	
For all water delivered, per 100 Cu. Ft.	\$ 1.571	(I)
Service charge:		
For 5/8x3/4 inch meter	\$ 7.22	(I)
For 3/4 inch meter	10.83	(I)
For 1 inch meter	18.06	(I)
For 1 1/2 inch meter	36.11	(I)
For 2 inch meter	57.78	(I)
For 3 inch meter	108.34	(I)
For 4 inch meter	180.57	(I)
For 6 inch meter	361.14	(I)
For 8 inch meter	577.82	(I)
For 10 inch meter	830.62	(I)
For 12 inch meter	1,191.76	(I)
For 14 inch meter	1,625.13	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to a 2% Franchise Fee imposed by the City of San Jose on customers within the city limits of the City of San Jose.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. Due to an under collection in the Company's production cost balancing type memorandum accounts accumulated through November 29, 2001, a surcharge of \$0.058 per Ccf is added to the quantity rate for 36 months from the effective date of Advice Letter 155, April 8, 2003.
4. Due to an under collection in the Company's production cost balancing account accumulated from November 30, 2001 through December 31, 2002, a surcharge of \$0.055 per Ccf is to be added to the quantity rate for 36 months from the effective date of Advice Letter 157-W, September 23, 2003.
5. Due to an under collection in the Company's production cost balancing account accumulated from January 1, 2003 through December 31, 2003, a surcharge of \$0.083 per Ccf is to be added to the quantity rate for 24 months from the effective date of Advice Letter 161-W, May 11, 2004.

APPENDIX B
Page 2 of 3

Schedule No 3M
IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered water to irrigate commercial agricultural crops for sale.

TERRITORY

The area in Southeast San Jose, East of Snail Road and South of Hellyer Park.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
For all water delivered, per 100 Cu. Ft.	\$ 0.209 (I)
For all water delivered, per Acre Ft.	91.02 (I)
Service charge:	
For 2 inch meter	57.78 (I)
For 3 inch meter	108.34 (I)
For 4 inch meter	180.57 (I)
For 6 inch meter	361.14 (I)
For 8 inch meter	577.82 (I)
For 10 inch meter	830.62 (I)
For 12 inch meter	1,191.76 (N)
For 14 inch meter	1,625.13 (N)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and which is to be added to the charge for water used computed at the Quantity Rates. The Service Charges for the size meters listed above are the same as in Schedule No. 1.

SPECIAL CONDITIONS

1. The Santa Clara Valley Water District requires the customer to certify the water is used to irrigate commercial agricultural crops for sale to qualify for this rate. It is an express condition of this Irrigation Service that the customer cooperates in making the necessary certification to the Water District.
2. The Santa Clara Valley Water District has surcharges or discounts applicable to water used to irrigate commercial agricultural crops if the customer/farmer participates in the Water District's special programs. These surcharges or discounts are applied per Acre Ft., are granted or imposed by the Water District each month based on the customer/farmer's level of participation, and will be passed through by the Company each month to the customer/farmer.
3. All bills within the City of San Jose are subject to a 2% Franchise Fee imposed by the City of San Jose on all customers within the City limits.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B
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Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

The area in Southeast San Jose, East of Snell Road and South of Hellyer Park.

RATES

	<u>Per Month</u>	
For each 2-inch diameter service connection	\$ 5.10	(I)
For each 4-inch diameter service connection	8.62	(I)
For each 6-inch diameter service connection	15.36	(I)
For each 8-inch diameter service connection	24.98	(I)
For each 10-inch diameter service connection	41.17	(I)

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility and the cost paid by the applicant. Such cost shall not be subject to refund.
2. The minimum diameter for fire protection service shall be two inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal services does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, and installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water, and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
6. All bills are subject to a 2% Franchise Fee imposed by the City of San Jose on customers within the City of San Jose.
7. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX C
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GREAT OAKS WATER COMPANY

Bill Comparisons

Adopted Rates
 Monthly Bill, Dollars

Usage in Ccf	Present Rates	2006-2007 Rates	Increase Dollars	Percent
5/8x3/4-INCH METER				
0	\$5.99	\$7.47	\$1.48	24.77%
5	\$14.33	\$15.88	\$1.55	10.78%
10	\$22.68	\$24.28	\$1.61	7.09%
15	\$31.02	\$32.69	\$1.67	5.38%
20	\$39.36	\$41.10	\$1.73	4.40%
25	\$47.71	\$49.50	\$1.80	3.76%
30	\$56.05	\$57.91	\$1.86	3.31%
40	\$72.74	\$74.73	\$1.98	2.73%
50	\$89.43	\$91.54	\$2.11	2.36%
60	\$106.12	\$108.35	\$2.23	2.10%
70	\$122.81	\$125.17	\$2.36	1.92%
80	\$139.50	\$141.98	\$2.48	1.78%
90	\$156.19	\$158.79	\$2.61	1.67%
100	\$172.87	\$175.61	\$2.73	1.58%

Monthly Bill, Dollars

Usage in Ccf	2006-2007 Rates	2007-2008 Rates	Increase Dollars	Percent
5/8x3/4-INCH METER				
0	\$7.47	\$7.52	\$0.05	0.62%
5	\$15.59	\$15.69	\$0.10	0.61%
10	\$23.71	\$23.86	\$0.14	0.61%
15	\$31.84	\$32.03	\$0.19	0.61%
20	\$39.96	\$40.20	\$0.24	0.61%
25	\$48.08	\$48.37	\$0.29	0.61%
30	\$56.21	\$56.55	\$0.34	0.61%
40	\$72.45	\$72.89	\$0.44	0.61%
50	\$88.70	\$89.23	\$0.54	0.61%
60	\$104.94	\$105.58	\$0.64	0.61%
70	\$121.19	\$121.92	\$0.74	0.61%
80	\$137.43	\$138.26	\$0.83	0.61%
90	\$153.68	\$154.61	\$0.93	0.61%
100	\$169.92	\$170.95	\$1.03	0.61%

Bill comparisons include all surcharges included on customer bills.

APPENDIX D
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GREAT OAKS WATER COMPANY
Adopted Quantities

		2006-2007	2007-2008
Number of Customers by Meter Size	5/8X3/4	18,984	19,009
	3/4	20	22
	1	445	446
	1-1/2	208	213
	2	454	467
	3	43	39
	4	36	37
	6	11	11
	8	8	8
	10	3	3
	Total	20,212	20,255
General Metered Service			
	Water Sales, Ccf	5,520,059	5,566,018
	Water Sales, Acre Feet	12,672	12,778
	Water Production, Acre Feet	13,766	13,876
	Unaccounted-for, Acre Feet	1,094	1,098
	Unaccounted-for, Percent of Production	7.95%	7.91%
	South of Metcalf, Other Than Agricultural	1,875	1,875
	North of Metcalf, Other Than Agricultural	11,891	12,001
Agricultural Irrigation Service			
	Water Sales, Ccf	217,800	217,800
	Water Sales, Acre Feet	500	500
	Water Production, Acre Feet	500	500
	South of Metcalf, Agricultural	125	125
	North of Metcalf, Agricultural	375	375
	Total Water Production, Acre Feet	14,266	14,376
Santa Clara Valley Water District Rates effective July 1, 2005			
	South of Metcalf, Other Than Agricultural	\$215.00	\$215.00
	North of Metcalf, Other Than Agricultural	\$420.00	\$420.00
	South of Metcalf, Agricultural	\$21.50	\$21.50
	North of Metcalf, Agricultural	\$42.00	\$42.00
Groundwater Charge Expense			
	South of Metcalf, Other Than Agricultural	403,125	403,125
	North of Metcalf, Other Than Agricultural	4,994,314	5,040,265
	South of Metcalf, Agricultural	2,688	2,688
	North of Metcalf, Agricultural	15,750	15,750
	Total	5,415,876	5,461,827
Purchased Power (Supplier - PG&E, Rates effective January 1, 2005)			
	Pumped Water, AF	14,266	14,376
	Kwh/AF	360	373
	Pumping Power, Kwh	5,133,456	5,174,254
	Purchased Electricity Cost, \$/Kwh	\$0.1230	\$0.1230
	Purchased Electricity	631,415	636,433
	Uncollectibles Rate, Percent of Revenue	0.2156%	0.2156%
	Franchise Tax Rate, Percent of Revenue	2.00%	2.00%
	Federal Tax Rate	34.00%	34.00%
	State Corp Franchise Rate	8.84%	8.84%

APPENDIX D
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GREAT OAKS WATER COMPANY

Adopted Rate Base, Dollars	2006-2007	2007-2008
ADDITIONS TO RATE BASE		
Utility Plant in Service, End of Year	31,467,178	31,879,821
Working Cash, Ratemaking Year Basis	547,924	535,185
TOTAL ADDITIONS TO RATE BASE	<u>32,015,101</u>	<u>32,415,006</u>
LESS DEDUCTIONS FROM RATE BASE:		
Reserve for Depreciation	13,480,085	14,200,895
Advances for Construction	5,879,432	5,658,487
Contributions in Aid of Construction	2,561,385	2,427,642
Pension Reserve	0	0
Accumulated Deferred Federal Income Taxes, Deprn. Timing Diff.	1,255,894	1,303,535
Accumulated State Def Taxes, Taxable Advances for Construction	-217,869	-210,202
Accumulated Federal Def Taxes, Taxable Advances for Constructor	-747,007	-703,955
Unamortized Investment Tax Credits	101,631	89,753
TOTAL DEDUCTIONS FROM RATE BASE	<u>22,313,551</u>	<u>22,766,156</u>
NET RATE BASE	<u>9,701,550</u>	<u>9,648,850</u>

APPENDIX D
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GREAT OAKS WATER COMPANY

Adopted Income Taxes at Present Rates, Dollars

	2006-2007
STATE INCOME TAXES	
Water Service Revenues, Excludes Surcharges	10,552,458
Other Water Revenues	4,825
Total Taxable Revenues, State	<u>10,557,283</u>
<u>Deductions, State</u>	
Operating Expenses, Excludes Surcharges	9,250,263
Tax Depreciation And Net Salvage Deduction, State	862,630
Taxes Other than Income	261,501
Interest Expense	253,327
Subtotal, Deductions, State	<u>10,627,722</u>
Taxable Income, CCFT	-70,439
CCFT Rate	8.84%
Current California Corporation Franchise Tax	0
FEDERAL INCOME TAXES	
Taxable Income, CCFT	-70,439
Plus Tax Depreciation And Net Salvage Deduction, State	862,630
Less Tax Depreciation And Net Salvage Deduction, Federal	818,680
Less Prior Year Current CCFT	11,341
Taxable Income, Federal	<u>-37,829</u>
First \$50,000	0
Balance	0
Next \$25,000	0
Balance	0
Next \$25,000	0
Balance	0
Next \$235,000	0
Bal Over \$335,000	0
Federal Income Tax Rate	
First \$50,000	15.00%
Next \$25,000	25.00%
Next \$25,000	34.00%
Next \$235,000	39.00%
Bal Over \$335,000	34.00%
Current Federal Income Taxes	0
Amortization Of Investment Tax Credits	0
Plus Deferred Tax Expense, Depreciation Timing Differences	51,039
Total Federal Income Tax Expense	<u>51,039</u>
Current California Corporation Franchise Tax	<u>0</u>
Total Income Tax Expense	<u>51,039</u>

APPENDIX D
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GREAT OAKS WATER COMPANY

Adopted Income Taxes at Authorized Rates, Dollars

	2006-2007
STATE INCOME TAXES	
Water Service Revenues, Excludes Surcharges	11,598,445
Other Water Revenues	<u>4,825</u>
Total Taxable Revenues, State	11,603,270
<u>Deductions, State</u>	
Operating Expenses, Excludes Surcharges	9,270,006
Tax Depreciation And Net Salvage Deduction, State	862,630
Taxes Other than Income	261,501
Interest Expense	<u>253,327</u>
Subtotal, Deductions, State	10,647,464
Taxable Income, CCFT	<u>955,807</u>
CCFT Rate	8.84%
Current California Corporation Franchise Tax	84,493
FEDERAL INCOME TAXES	
Taxable Income, CCFT	955,807
Plus Tax Depreciation And Net Salvage Deduction, State	862,630
Less Tax Depreciation And Net Salvage Deduction, Federal	818,680
Less Prior Year Current CCFT	<u>46,171</u>
Taxable Income, Federal	953,586
Federal Income Tax Rate	34.00%
Current Federal Income Taxes	324,219
Amortization Of Investment Tax Credits	0
Plus Deferred Tax Expense, Depreciation Timing Differences	51,039
Total Federal Income Tax Expense	375,258
Current California Corporation Franchise Tax	<u>84,493</u>
Total Income Tax Expense	459,751